

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 06755 01 OF 02 241543Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CIAE-00 COME-00 EB-07
INR-07 LAB-04 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00
FRB-03 OMB-01 INRE-00 EURE-00 AID-05 CEA-01
SIL-01 SS-15 NSC-05 SSO-00 NSCE-00 L-03 H-01
NEA-10 /097 W

-----076431 241559Z /45

O 241534Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 0490

INFO ALL EC CAPITALS

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 06755

USEEC

GENEVA FOR MISSION AND MTN: DEPT ALSO PASS STR FOR
AMBASSADOR STRAUSS AND SMITH

E.O. 11652:GDS

TAGS: ETRD, EEC

SUBJECT: EC POSITION ON TEXTILES

1. EC COMMISSIONER DAVIGNON CALLED IN CHARGE JUNE 24 TO
EXPLAIN RECENT NEW EC MANDATE ON MULTIFIBER TEXTILE AGREE-
MENT (MFA) AS APPROVED BY COUNCIL JUNE 21. ESSENCE OF
MANDATE, AS DAVIGNON EXPLAINED IT, WOULD PERMIT COMMISSION
TO RENEW MFA AS IS OR WITH, IF NECESSARY, INTERPRETATIVE
NOTES AS LONG AS THERE WAS CLEAR UNDERSTANDING IN FIRST
INSTANCE WITH US AND THEN OTHER MFA PARTNERS, AS TO WAY
IN WHICH EC PROPOSED TO PROCEED IN BILATERAL NEGOTIATIONS
UNDER THAT AGREEMENT.

2. AS DAVIGNON EXPLAINED IT, HE WAS ABLE TO GET MEMBER
STATES AGREEMENT TO RENEW MFA AS IS ONLY THROUGH "CON-
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PAGE 02 BRUSSE 06755 01 OF 02 241543Z

TRACT" WHICH HE HAD MADE WITH THEM ABOUT IMPLEMENTATION.
ESSENTIALLY THIS WOULD REQUIRE THAT, WHEN IMPORT PENE-
TRATION RATIOS REACH WHAT ARE REGARDED AS EXCESSIVE LEVELS
IN PARTICULARLY SENSITIVE PRODUCT CATEGORIES, IMPLEMENTING
AGREEMENT WOULD SEEK TO STABILIZE IMPORTS OF THOSE CATE-
GORIES FROM ALL SOURCES AT 1976 LEVELS. DAVIGNON SAID
THAT LEVELS WOULD NOT BE REDUCED BELOW '76 FIGURES BUT

THAT GROWTH RATES IN THOSE CATEGORIES MAY BE SIGNIFICANTLY UNDER SIX PERCENT REQUIRED IN MFA. NEW EC AGREEMENTS TO BE NEGOTIATED THIS YEAR AND NEXT WOULD ENDEAVOR TO MAINTAIN IMPORTS AT OR NEAR '76 LEVELS ON THOSE PARTICULAR PRODUCTS THROUGH 1980 IN ORDER TO PERMIT EC INDUSTRIES TO ADJUST TO THE COMPETITION. IF THEY WERE UNABLE TO DO THAT AFTER THAT PERIOD, COMMISSION WOULD SEEK NO FURTHER SPECIAL PROTECTION FOR THEM.

3. HE NOTED THAT REDUCING GROWTH (PERHAPS TO ZERO RATE IN REGARD TO CERTAIN LARGE SUPPLIERS) MAY GIVE A SUBSTANTIAL BENEFIT TO SMALLER OR LESS DEVELOPED SUPPLIERS. WHERE THIS MAY NOT BE THE CASE (E.G., INDIA), EC WOULD SEEK TO COMPENSATE AT LEAST SOME SUPPLYING COUNTRIES BY OTHER ACTION IN THE NON-TEXTILE AREA.

4. IN EFFORT TO MEET PREVIOUS COMPLAINTS BY SEVERAL MFA COUNTRIES THAT VARIETY OF EC ASSOCIATION AGREEMENTS (LOME, MAGHREB, ETC.) PERMIT PRODUCTS FROM THOSE AREAS TO ENTER WITHOUT RESTRICTIONS, EC WILL HENCEFORTH, BEGINNING IMMEDIATELY, USE SAFEGUARD CLAUSES IN OVERALL AGREEMENTS WITH ASSOCIATED COUNTRIES TO RESTRICT THEIR EXPORTS OF SENSITIVE TEXT

ILE PRODUCTS IN THE SAME WAY THAT IT WILL BE SEEKING MFA COUNTRIES TO DO. THUS, NO ONE WILL BE GETTING A FREE RIDE.

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PAGE 03 BRUSSE 06755 01 OF 02 241543Z

5. DAVIGNON STRESSED THAT HE BEGAN NEGOTIATIONS WITH MEMBER STATES WITH ONLY ONE COUNTRY (FRG) REALLY FAVORING RENEWAL OF MFA AS IS AND THAT IT HAD BEEN AN UPHILL FIGHT TO GET MEMBER STATES TO SIGN ON TO APPROACH ALONG THE ABOVE LINES. HE HAD BEEN ABLE TO DO SO, HE SAID, BY MAKING USE OF THE ARGUMENT US HAD STRESSED FROM THE BEGINNING THAT MFA IS ITSELF FLEXIBLE ENOUGH TO PERMIT DIFFERENTIAL IMPLEMENTATION WHERE NECESSARY IN ORDER TO MODERATE ADJUSTMENT TO COMPETITION THAT IS REQUIRED. EC COULD PRESUMABLY GO TO GENEVA AND SAY NOTHING ABOUT ITS IMPLEMENTATION INTENTIONS. HOWEVER, DAVIGNON FELT THAT THIS WOULD BE A MISTAKE AND THAT ALL MFA PARTNERS HAD A RIGHT TO KNOW WHAT EC INTENTIONS WERE.

6. MAIN MESSAGE THAT DAVIGNON WISHED TO CONVEY TO US WAS FOLLOWING:

(A) MOOD IN MOST MEMBER STATES WAS TURNING VERY PROTECTIONIST, NOT ONLY IN TEXTILES BUT IN SEVERAL OTHER SENSITIVE PRODUCTS. FAILURE TO BE ABLE TO PUT INTO EFFECT TEXTILE POLICY ALONG ABOVE LINES WOULD HAVE VERY SEVERE CONSEQUENCES FOR EC COMMISSION'S ABILITY TO CONTINUE TO

FIGHT THIS TREND AND TO STEER MEMBER STATES TOWARD THE FRUITFUL MTN CONCLUSION WHICH BOTH US AND COMMISSION WANT. AS REGARDS TEXTILES ALONE, ALTERNATIVE TO APPROACH HE OUTLINED WOULD CERTAINLY BE EC WITHDRAWAL FROM MFA AND CONSEQUENTIAL BREAKDOWN OF THAT SYSTEM.

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(B) DAVIGNON IS NOT ASKING THAT US ENDORSE EC APPROACH BUT IS REQUESTING THAT US NOT SNIPE AT IT FROM THE SIDELINES OR CALL IT FUNDAMENTALLY INTO QUESTION DURING RENEWAL NEGOTIATIONS. IN PARTICULAR, IF US SHOULD USE ARGUMENT OPENLY THAT EC APPROACH ALONG THESE LINES WOULD RESULT IN DIVERSION OF TEXTILE TRADE TOWARD US MARKET, DAVIGNON WOULD REGARD THIS AS PARTICULARLY UNFAIR. WHILE HE DOES NOT DENY THAT PRESSURES FROM LDC SUPPLIERS FOR INCREASED IMPORT OPPORTUNITIES INTO US MARKET MAY INCREASE AS THE RESULT OF EC POSITION, HE BELIEVES THAT US, APPLYING ITS OWN DOCTRINE AS NOTED ABOVE, OUGHT TO BE ABLE TO MANAGE THOSE PRESSURES JUST AS EC IS NOW STARTING TO MANAGE THEM AFTER SEVERAL YEARS WHEN THE SHOE WAS ON THE OTHER FOOT. HE HOPES THAT US WILL SEE THE BROADER IMPLICATIONS FOR MTN OF TRECH WARFARE OVER TEXTILES AND WILL NOT FORCE THE ISSUE DURING RENEWAL NEGOTIATIONS.

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PAGE 02 BRUSSE 06755 02 OF 02 241546Z

7. MORE PROXIMATELY, HE URGED THAT, DURING NEXT WEEK'S TSB SESSION CONCERNING HANDLOOMED PRODUCTS FROM INDIA, US TAKE NO ACTION IN SUPPORT OF INDIAN COMPLAINT AGAINST EC IMPOSITION OF IMPORT CEILINGS. EC NEEDS TO GET BETTER HANDLE ON HANDLOOM IMPORTS IN ORDER TO MITIGATE SERIOUS PROBLEM THEY ARE POSING IN EC MARKET.

8. DAVIGNON WILL WELCOME OPPORTUNITY TO HAVE FULL DISCUSSION OF THIS ISSUE DURING AMBASSADOR STRAUSS' VISIT JULY 11. HE ALSO SAID THAT EC TEXTILE NEGOTIATOR TRAN VAN TINH HOPES VERY MUCH THAT MIKE SMITH WILL FIND OCCASION TO MEET WITH HIM AS SOON AS CONVENIENT IN ORDER TO GO OVER DETAILS AND DISCUSS TACTICS. HE STRESSED THAT EC OBJECTIVE IS TO WORK AS CLOSELY AS POSSIBLE WITH US ON THESE MATTERS AND PARTICULARLY VALUES EVERY OCCASION FOR MUTUAL CLARIFICATION OF VIEWS AND DISCUSSION OF ISSUES.

9. COMMENT: WHILE WE ARE NOT NOW IN A POSITION TO EVALUATE IMPLICATIONS OF NEW EC APPROACH, WE STRONGLY SUPPORT RECOMMENDATION THAT SMITH COME TO BRUSSELS FOR IN DEPTH TALKS WITH TRAN AND THAT AMBASSADOR STRAUSS BE PREPARED TO DISCUSS FURTHER IN JULY. PENDING THOSE CONVERSATIONS, WE BELIEVE IT WOULD BE ADVISABLE FOR US TO REFRAIN FROM MAJOR CRITICISM OF EC EFFORT ON HANDLOOMS NEXT WEEK SO AS TO AVOID COMPROMISING ATMOSPHERE FOR LATER TALKS IN WHICH WE MIGHT BE ABLE TO FIND FURTHER FLEXIBILITY IN GENERAL EC APPROACH. MORRIS

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